

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5260-03
Bill No.: SCS for SB 1017
Subject: Health Care; Health Care Professionals; Department of Mental Health; Taxation and Revenue-General
Type: Original
Date: April 6, 2010

Bill Summary: This legislation extends the sunsets on certain provider taxes.

This legislation will sunset on September 30, 2015.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Nursing Facility Reimbursement Allowance Fund*	\$0	\$0	\$0
Pharmacy Reimbursement Allowance Fund**	\$0	\$0	\$0
ICF/MR Provider Tax Fund***	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Revenues and expenditures of approximately \$138,000,000 net to \$0.

**Revenues and expenditures of up to approximately \$88,000,000 net to \$0.

***Revenues and expenditures of up to approximately \$3,000,000 net to \$0.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Federal Fund	\$6,500,000	\$6,500,000	\$6,500,000
Total Estimated Net Effect on <u>All</u> Federal Funds	\$6,500,000	\$6,500,000	\$6,500,000

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Sections 198.439, 208.437, 208.453, 338.550, 633.401 & 633.410:

Officials from the **Department of Health and Senior Services, Department of Revenue, Department of Insurance, Financial Institutions and Professional Registration** and the **Office of Administration-Budget and Planning** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the

ASSUMPTION (continued)

SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Mental Health (DMH)** assume the proposed legislation changes the sunset dates for several Missouri provider taxes, including taxes described in sections 633.401 and 633.410. The sunset provision changes the dates from September 30, 2011 to September 30, 2015. If the proposed legislation does not pass, an estimated \$2.5 million in additional General Revenue will be needed to maintain the current level of services for the DD ICF/MR provider tax, as well as, an additional General Revenue amount of \$500,000 for the DD certification fee.

In addition, the legislation deletes from RSMo section 208.453 the language exempting Department of Mental Health psychiatric hospitals from the hospital provider tax. This change will allow DMH hospitals to generate additional Federal Medicaid revenues of approximately \$6.5 million.

In response to a previous version of this proposal, officials from the **Department of Social Services - MO HealthNet Division (MHD)** states the passage of the proposed legislation would not fiscally impact the MHD. However, if the proposed legislation does not pass, additional funding will be needed to maintain the current level of services.

Section 198.439 – Nursing Facility Reimbursement Allowance (NFRA):

The proposed legislation allows the MHD to collect \$138,041,498, in NFRA, which will allow MHD to draw in federal funds of \$237,990,913 in fiscal year 2011. The FY11 budget submitted by the MHD assumed the NFRA would continue through fiscal year 2011. If this proposed legislation does not pass, additional General Revenue funds of \$138,041,498 would be needed to continue the current level of services.

ASSUMPTION (continued)

Section 208.437 – Managed Care Organization Reimbursement Allowance:

Current federal regulations require that all Managed Care Organizations are taxed, commercial and Medicaid. MHD does not currently collect a Managed Care Provider Tax; therefore the proposed legislation would not have a fiscal impact.

Section 338.550 – Pharmacy Provider Tax:

The proposed legislation allows the MHD to collect \$88,430,473 in pharmacy tax, which will allow MHD to draw in federal funds of \$154,477,020 in fiscal year 2011. The FY11 budget submitted by the DSS assumed the pharmacy tax would continue through fiscal year 2011. If this proposed legislation does not pass, additional General Revenue funds of \$88,430,473 would be needed to continue the current level of services.

The proposed legislation grants a four year extension for the Managed Care Organization Reimbursement Allowance, the Nursing Facility Reimbursement Allowance and the Pharmacy Tax programs.

<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012	FY 2013
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**NURSING FACILITY
REIMBURSEMENT ALLOWANCE
FUND (Section 198.439)**

Income - Department of Social Services

Assessment on Medicaid managed care organizations	\$138,041,498	\$0	\$0
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Costs - Department of Social Services

Medicaid Program Costs	<u>(\$138,041,498)</u>	<u>\$0</u>	<u>\$0</u>
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**ESTIMATED NET EFFECT ON
NURSING FACILITY
REIMBURSEMENT ALLOWANCE
FUND**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012	FY 2013
(continued)			

**PHARMACY REIMBURSEMENT
 ALLOWANCE FUND (Section
 338.550)**

<u>Income</u> - Department of Social Services			
Assessment on Pharmacies	\$88,430,473	\$0	\$0

<u>Costs</u> - Department of Social Services			
Medicaid Program Costs	<u>\$88,430,473</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON PHARMACY REIMBURSEMENT ALLOWANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**ICF/MR PROVIDER TAX (Section
 633.401 & 633.410)**

<u>Income</u> - Department of Mental Health			
Assessment on ICF's	\$3,000,000	\$0	\$0

<u>Costs</u> - Department of Mental Health			
Medicaid Program Costs	<u>(\$3,000,000)</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON ICF/MR PROVIDER TAX	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FEDERAL FUNDS

<u>Income</u> - Department of Mental Health			
Federal Revenues	\$6,500,000	\$6,500,000	\$6,500,000

<u>Income</u> - Department of Social Services			
Assessment on Nursing Facilities	\$237,990,913	\$0	\$0
Assessment on Pharmacies	<u>\$154,477,020</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Income</u> - DSS	<u>\$392,467,933</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2011	FY 2012	FY 2013
<u>Costs - Department of Social Services</u>			
Medicaid program expenditures	<u>(\$392,467,933)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$6,500,000</u>	<u>\$6,500,000</u>	<u>\$6,500,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Sections 198.439, 208.437, 208.453, 338.550, 633.401 & 633.410:

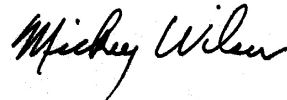
This proposal extends the sunsets for the Nursing Facility Reimbursement Allowance, Medicaid Managed Care Organization Reimbursement Allowance, Intermediate Care Facility Mentally Retarded Reimbursement Allowance, Home and Community-Based Developmental Disabilities Waiver Reimbursement Allowance and the Pharmacy Tax from September 30, 2011 to September 30, 2015.

This legislation no longer allows public hospitals which are operated primarily for the care and treatment of mental disorders to be exempted from participating in the Hospital Reimbursement Allowance.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration
Department of Social Services
Department of Health and Senior Services
Department of Mental Health
Office of the Secretary of State
Office of Administration-Budget and Planning
Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 6, 2010